

**MOC-FLOYD VALLEY
COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2008

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2008
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MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT

BOARD MEMBERS AND OFFICIALS

June 30, 2008

Board of Education (Before September 11, 2007 Election)

<u>Name</u>		<u>Term Expires</u>
Deborah De Haan	President	2008
Gerald Van Roekel	Vice President	2007
Derrick De Haan	Board Member	2008
Patti Thayer	Board Member	2007
Dan Duistermars	Board Member	2009

Board of Education (After September 11, 2007 Election)

Deborah De Haan	President	2008
Gerald Van Roekel	Vice President	2010
Dan Duistermars	Board Member	2009
Derrick De Haan	Board Member	2008
Patti Thayer	Board Member	2010

Officials

Gary Richardson	Superintendent	2008
Leann Evenhuis	Board Secretary	2008
Scott Kooiman	Board Treasurer	2008
Stephen F. Avery	Attorney	2008

INDEPENDENT AUDITORS' REPORT

To the Board of Education of
MOC-Floyd Valley Community School District
Orange City, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the MOC-Floyd Valley Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the MOC-Floyd Valley Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of MOC-Floyd Valley Community School District as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2008 on our consideration of the MOC-Floyd Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principals. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MOC-Floyd Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed

unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Williams & Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Le Mars, Iowa
December 29, 2008

MOC-FLOYD VALLEY MANAGEMENT DISCUSSION AND ANALYSIS

MOC-Floyd Valley School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

General fund revenues increased from \$10,738,279 in fiscal 2007 to \$11,778,638 in fiscal 2008, while General fund expenditures increased from \$10,695,453 in fiscal 2007 to \$11,469,420 in fiscal 2008. The District's General fund balance increased from \$770,008 in fiscal 2007 to \$1,069,876 in fiscal 2008, a 39% increase.

The increase in General fund revenues was attributable due to an overall increase in property taxes, state aid, state categorical funding and income surtax from the instructional support levy in fiscal 2008. Also contributing to the increase in revenue was the state universal pre-school grant and the Carol White PE Grant. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits, the universal preschool expenditures and the Carol White PE Grant.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of MOC-Floyd Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report MOC-Floyd Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds, Capital Project Funds, and Debt Service Fund. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

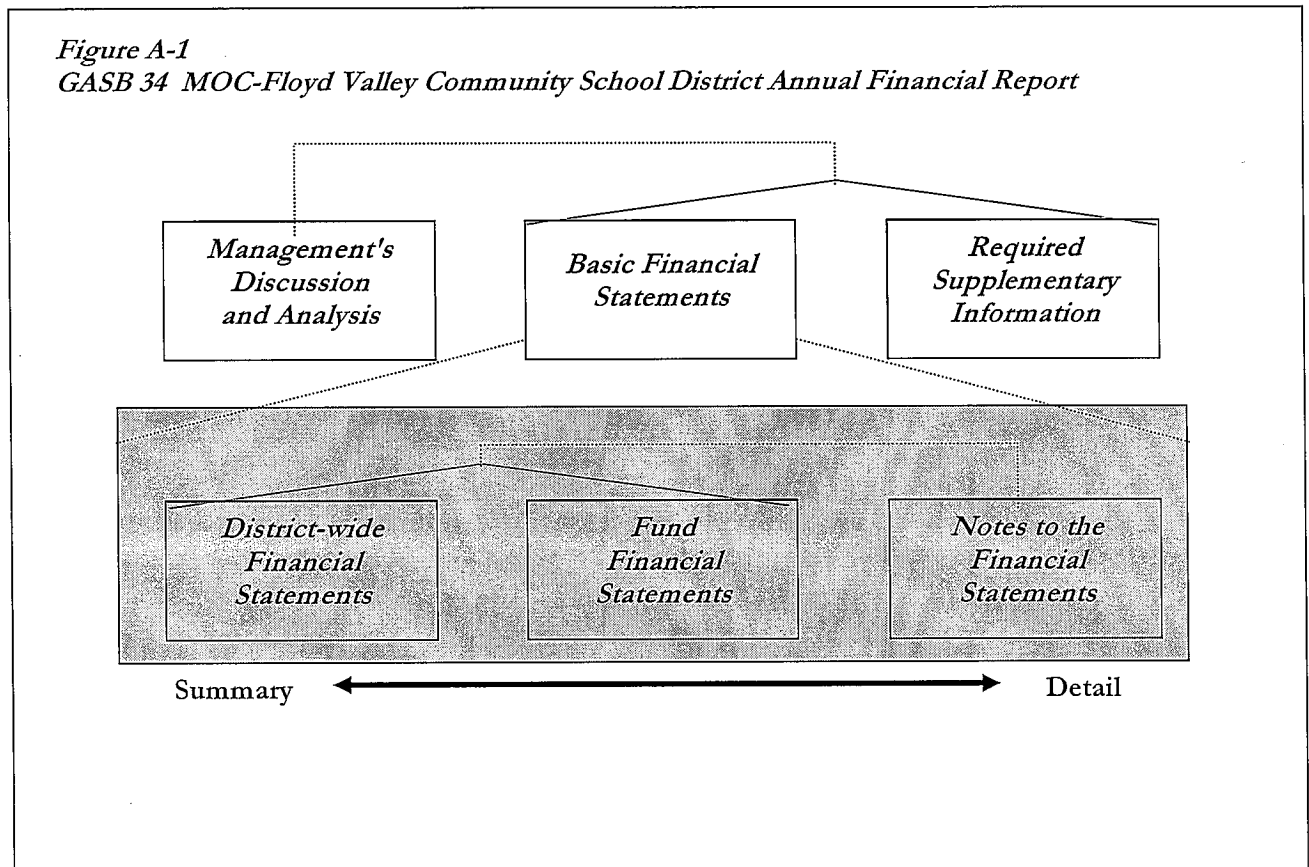


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional

information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary Funds*: The District is the trustee, or fiduciary, for assets that belong to others. The District's only fiduciary fund is an agency fund for the District's flex cafeteria plan for employees. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes this activity from the government-wide statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 and 2008.

Figure A-3 Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2007	2008	2007	2008	2007	2008	
Current and other assets	\$ 7,626,827	\$ 7,461,876	\$ 101,512	\$ 101,508	\$ 7,728,339	\$ 7,563,384	-2.1%
Capital Assets	11,591,845	11,337,662	54,195	52,689	11,646,040	11,390,351	-2.2%
Total Assets	19,218,672	18,799,538	155,707	154,197	19,374,379	18,953,735	-2.2%
Current Liabilities	7,076,767	6,650,175	18,957	18,672	7,095,724	6,668,847	-6.0%
Long-Term Liabilities	4,490,592	3,737,642	5,600	5,690	4,496,192	3,743,332	-16.7%
Total Liabilities	11,567,359	10,387,817	24,557	24,362	11,591,916	10,412,179	-10.2%
Net Assets Invested in capital assets, net of related debt	6,401,394	6,882,446	54,195	52,689	6,455,589	6,935,135	7.4%
Restricted	198,354	331,573	-	-	198,354	331,573	67.2%
Unrestricted	1,051,565	1,197,702	76,955	77,146	1,128,520	1,274,848	13.0%
Total Net Assets	\$ 7,651,313	\$ 8,411,721	\$ 131,150	\$ 129,835	\$ 7,782,463	\$ 8,541,556	9.8%

The District's combined net assets increased by 9.8%, or approximately \$759,093 over the prior year. The largest portion of the District's net assets is the investment in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased over \$133,219 or approximately 67% from the prior year. The increase was primarily a result of an increase in the PPEL Fund Balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased approximately \$146,328 or 13%.

Figure A-4 shows the change in net assets for the year ended June 30, 2007 and 2008.

Figure A-4 Changes in Net Assets from Operations

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2007	2008	2007	2008	2007	2008	
Revenue:							
Program Revenue:							
Charges for Services	\$ 729,857	\$ 682,260	\$ 359,089	\$ 379,738	\$ 1,088,946	\$ 1,061,998	-2.5%
Operating Grants and Contributions	1,476,997	1,861,467	186,018	188,328	1,663,015	2,049,795	23.3%
Capital Grants and Contributions	17,400	226,346	-	-	17,400	226,346	1200.8%
General Revenues:							
Property Tax	4,329,159	4,436,290	-	-	4,329,159	4,436,290	2.5%
Instructional Support Surtax	567,493	606,172	-	-	567,493	606,172	6.8%
Local Option Sales Tax	820,264	699,945	-	-	820,264	699,945	-14.7%
Unrestricted State Grants	4,541,639	4,854,328	-	-	4,541,639	4,854,328	6.9%
Unrestricted Investment Earnings	136,088	111,734	1,420	2,062	137,508	113,796	-17.2%
Other	20,976	28,540	810	3,069	21,786	31,609	45.1%
TOTAL REVENUES	12,639,873	13,507,082	547,337	573,197	13,187,210	14,080,279	6.8%
Program Expenses:							
Instruction	8,017,034	8,590,348	-	-	8,017,034	8,590,348	7.2%
Support Services	3,353,061	3,346,514	-	-	3,353,061	3,346,514	-0.2%
Non-instructional Programs	12,784	11,799	535,357	574,512	548,141	586,311	7.0%
Other Expenses	837,593	798,013	-	-	837,593	798,013	-4.7%
TOTAL EXPENSES	12,220,472	12,746,674	535,357	574,512	12,755,829	13,321,186	4.4%
Change in Net Assets	\$ 419,401	\$ 760,408	\$ 11,980	\$ (1,315)	\$ 431,381	\$ 759,093	76.0%

Property tax, local option sales tax, and unrestricted state grants account for 75% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 94% of the total expenses.

Governmental Activities

Figure A-5 presents the cost of four major district activities: instruction, support services, non-instructional programs and other expenses. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial impact placed on the taxpayers by each function.

Figure A-5 Net Cost of Governmental Activities

	Total Cost of Services		%	Net Cost of Services		%
	2007	2008	Change	2007	2008	Change
Instruction	\$ 8,017,034	\$ 8,590,348	7.2%	\$ 6,411,182	\$ 6,464,968	0.8%
Support Services	3,353,061	3,346,514	-0.2%	3,212,940	3,198,696	-0.4%
Non-Instructional	12,784	11,799	-7.7%	7,289	9,016	23.7%
Other	837,593	798,013	-4.7%	364,807	303,921	-16.7%
TOTAL	\$ 12,220,472	\$12,746,674	4.3%	\$ 9,996,218	\$ 9,976,601	-0.2%

- The cost financed by users of the District's programs was \$682,260.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,087,813.
- The net cost of governmental activities was financed with \$5,742,407 in property and other taxes and \$4,854,328 in unrestricted state grants.

Business Type Activities

Revenues of the District's business type activities were \$573,197 and expenses were \$574,512. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The district provides breakfast and noon meals to the local day care program.

INDIVIDUAL FUND ANALYSIS

As previously noted, MOC-Floyd Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,577,359, an increase over last year's ending fund balances of \$1,313,017. The balance reflects a significant increase in the General Fund fund balance, and a slight increase in the Other Governmental Funds fund balance.

Governmental Fund Highlights

- The District's improved General Fund financial position is the result of increased property tax and instructional support income surtax.
- The June 2008 fiscal balance in the Other Governmental Funds increased slightly.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased slightly from \$131,150 at June 30, 2007 to \$129,835 at June 30, 2008.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The District's budget is prepared on the cash basis. During the year, expenditures did not exceed the certified amounts. Detail can be found in the supplementary information section of this report as required.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$20,063,068 in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Figure A-6) More detailed information about capital assets can be found in Note 5 to the financial statements. Total depreciation expense for the year was \$568,893.

Figure A-6 Capital Assets

	Governmental Activities		Business-type Activities		Total District		Total %
	2007	2008	2007	2008	2007	2008	Change
Land	\$ 247,000	\$ 247,000	\$ -	\$ -	\$ 247,000	\$ 247,000	0.0%
Constr. In Progress	23,167	-	-	-	23,167	-	-100.0%
Buildings	16,293,095	16,324,284	-	-	16,293,095	16,324,284	0.2%
Improvements other than buildings	698,263	745,822	-	-	698,263	745,822	6.8%
Furniture and Equipment	2,393,016	2,652,145	89,682	93,817	2,482,698	2,745,962	10.6%
Total Assets	\$19,654,541	\$19,969,251	\$ 89,682	\$ 93,817	\$19,744,223	\$20,063,068	1.6%

Long-Term Debt

At year end, the District had \$589,651 in general obligation bonds outstanding, \$3,869,586 in LOST revenue bonds outstanding, \$9,350 in lease obligations, \$35,944 in early retirement obligations and \$25,420 in compensated absences. This is a decrease of \$798,224 from the prior year. The decrease is largely due to the repayment of general obligation bonds and LOST revenue bonds. The liability for Early Retirement is significantly reduced due to only one early retirement in the district for year ending FY 2008. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District enrollment for 2008-09 remains stable which will positively affect the 2009-10 budget.
- There continues to be considerable economic expansion beginning in the Alton/Orange City area with the Highway 60 by-pass project, the completion of a new \$30 million hospital in Orange City, the expansion of Med-Tech, Advanced Brands, and Revival Animal Health Incorporated and relocation of the Pizza Ranch headquarters.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Leann Evenhuis, District Secretary/Treasurer and Business Manager, MOC-Floyd Valley Consolidated School District, 1301 8th Street SE, Orange City Iowa 51041.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business Type Activity	Total
ASSETS			
Cash and Pooled Investments	\$ 2,662,493	\$ 80,551	\$ 2,743,044
Receivables:			
Property Tax	49,163	-	49,163
Succeeding Year Property Tax	4,349,139	-	4,349,139
Accounts	34,740	4,307	39,047
Due from Other Governments	287,548	140	287,688
Restricted Assets:			
Cash and Pooled Investments	61,718	-	61,718
ISCAP Interest Receivable	3,704	-	3,704
Inventories	-	16,510	16,510
Bond Issue Costs	13,371	-	13,371
Land	247,000	-	247,000
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	11,090,662	52,689	11,143,351
Total Assets	18,799,538	154,197	18,953,735
LIABILITIES			
Accounts Payable	341,489	338	341,827
Salaries and Benefits Payable	1,149,395	4,481	1,153,876
Accrued Interest Payable	17,843	-	17,843
Unearned Revenue	-	13,853	13,853
Deferred Revenue - Succeeding Year Taxes	4,349,139	-	4,349,139
Noncurrent Liabilities:			
Due Within One Year:			
Lease Obligations Payable	9,350	-	9,350
Bonds Payable	747,015	-	747,015
Early Retirement Payable	35,944	-	35,944
Due in More Than One Year:			
Accrued Compensated Absences	25,420	5,690	31,110
Bonds Payable	3,712,222	-	3,712,222
Total Liabilities	10,387,817	24,362	10,412,179
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	6,882,446	52,689	6,935,135
Restricted for:			
Physical Plant and Equipment Levy	218,051	-	218,051
Other Special Revenue Purposes	113,522	-	113,522
Unrestricted	1,197,702	77,146	1,274,848
Total Net Assets	\$ 8,411,721	\$ 129,835	\$ 8,541,556

See Accompanying Notes to Financial Statements

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants Contributions	Capital Grants Contributions
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 6,073,120	\$ 211,370	\$ 910,149	219,936
Special Instruction	1,405,500	64,249	281,493	-
Other Instruction	1,111,728	399,020	39,163	-
Support Services:				
Student Services	365,596	-	-	-
Instructional Staff Services	442,216	-	-	-
Administration Services	1,007,079	-	-	-
Operation and Maintenance	974,869	7,621	-	6,410
Transportation Services	556,754	-	133,787	-
Non-instructional Programs	11,799	-	2,783	-
Other Expenditures:				
Facilities Acquisition and Construction Services	57,443	-	-	-
Long-term Debt Interest	246,478	-	-	-
AEA Flowthrough	494,092	-	494,092	-
Total governmental activities	<u>12,746,674</u>	<u>682,260</u>	<u>1,861,467</u>	<u>226,346</u>
Business Type Activity:				
Non-instructional Programs				
Food Service Operations	<u>574,512</u>	<u>379,738</u>	<u>188,328</u>	
Total	<u>\$ 13,321,186</u>	<u>\$ 1,061,998</u>	<u>\$ 2,049,795</u>	<u>\$ 226,346</u>
General Revenues:				
Property Tax Levied For:				
General Purposes				
Capital Outlay				
Instructional Support Surtax				
Local Option Sales Tax				
Unrestricted State Grants				
Unrestricted Investment Earnings				
Other				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activity	Total
\$ (4,731,665)		\$ (4,731,665)
(1,059,758)		(1,059,758)
(673,545)		(673,545)
(365,596)		(365,596)
(442,216)		(442,216)
(1,007,079)		(1,007,079)
(960,838)		(960,838)
(422,967)		(422,967)
(9,016)		(9,016)
(57,443)		(57,443)
(246,478)		(246,478)
-		-
<u>(9,976,601)</u>		<u>(9,976,601)</u>
	\$ (6,446)	(6,446)
<u>(9,976,601)</u>	<u>(6,446)</u>	<u>(9,983,047)</u>
4,077,955	-	4,077,955
358,335	-	358,335
606,172	-	606,172
699,945	-	699,945
4,854,328	-	4,854,328
111,734	2,062	113,796
28,540	3,069	31,609
<u>10,737,009</u>	<u>5,131</u>	<u>10,742,140</u>
760,408	(1,315)	759,093
7,651,313	131,150	7,782,463
<u>\$ 8,411,721</u>	<u>\$ 129,835</u>	<u>\$ 8,541,556</u>

See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Pooled Investments	\$ 2,224,762	\$ 426,552	\$ 2,651,314
Receivables:			
Property Tax	43,246	5,917	49,163
Succeeding Year Property Tax	3,676,503	672,636	4,349,139
Accounts	5,493	29,247	34,740
Due from Other Governments	167,859	119,689	287,548
Restricted Assets:			
Cash and Pooled Investments	-	61,718	61,718
ISCAP Interest Receivable	3,704	-	3,704
Total Assets	<u>6,121,567</u>	<u>1,315,759</u>	<u>7,437,326</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	224,202	116,391	340,593
Salaries and Benefits Payable	1,149,395	-	1,149,395
Early Retirement Payable	-	19,249	19,249
Unearned Revenue	1,591	-	1,591
Deferred Revenue - Succeeding Year Taxes	<u>3,676,503</u>	<u>672,636</u>	<u>4,349,139</u>
Total Liabilities	<u>5,051,691</u>	<u>808,276</u>	<u>5,859,967</u>
Fund Balances:			
Reserved for:			
Unreserved for:			
General Fund	1,069,876	-	1,069,876
Special Revenue Fund	-	318,974	318,974
Capital Project Fund	-	188,509	188,509
Total Fund Balances	<u>1,069,876</u>	<u>507,483</u>	<u>1,577,359</u>
Total Liabilities and Equity	<u>\$ 6,121,567</u>	<u>\$ 1,315,759</u>	<u>\$ 7,437,326</u>

See Accompanying Notes to Financial Statements

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 16)	\$ 1,577,359
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	11,337,662
An internal service fund is used by management to fund and maintain the District's partially self-insured prescription drug plan provided to user departments and is included in the statement of net assets.	10,283
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(17,843)
Bond issue costs are reported in the governmental activities but are not reported in the governmental funds as they do not provide current economic resources.	13,371
Unearned revenues from the balance sheet that provide current financial resources for governmental activities.	1,591
Accrued compensated absences not reported on the modified accrual basis.	(25,420)
Long-term liabilities, including bonds payable, lease obligations payable, and early retirement payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(4,485,282)</u>
Total Net Assets - Governmental Activities (page 13)	<u><u>\$ 8,411,721</u></u>

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
REVENUE:			
Local Sources:			
Local Tax	\$ 4,459,280	\$ 1,283,497	\$ 5,742,777
Tuition	227,197	-	227,197
Other	156,865	438,472	595,337
State Sources	6,349,613	435	6,350,048
Federal Sources	585,683	-	585,683
Total Revenue	<u>11,778,638</u>	<u>1,722,404</u>	<u>13,501,042</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular Instruction	5,767,491	80,727	5,848,218
Special Instruction	1,403,884	-	1,403,884
Other Instruction	710,133	390,591	1,100,724
Support Services:			
Student Services	349,767	15,814	365,581
Instructional Staff Services	437,014	967	437,981
Administration Services	967,903	29,101	997,004
Operation and Maintenance	857,367	69,420	926,787
Transportation Services	478,986	18,709	497,695
Non-instructional Programs	2,783	9,016	11,799
Other Expenditures:			
Facilities Acquisition and Construction Services	-	194,210	194,210
Long-term Debt:			
Principal	-	721,864	721,864
Interest and Fiscal Charges	-	236,861	236,861
AEA Flowthrough	494,092	-	494,092
Total Expenditures	<u>11,469,420</u>	<u>1,767,280</u>	<u>13,236,700</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>309,218</u>	<u>(44,876)</u>	<u>264,342</u>
Other Financing Sources (Uses):			
Transfers In	-	955,337	955,337
Transfers Out	(9,350)	(945,987)	(955,337)
Total Other Financing Sources (Uses)	<u>(9,350)</u>	<u>9,350</u>	<u>-</u>
Net Change in Fund Balances	299,868	(35,526)	264,342
Fund Balances - Beginning of Year	770,008	543,009	1,313,017
Fund Balances - End of Year	<u>\$ 1,069,876</u>	<u>\$ 507,483</u>	<u>\$ 1,577,359</u>

See Accompanying Notes to Financial Statements

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 18)	\$ 264,342
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlays in the current year as follows:

Expenditures for capital assets	\$ 314,710	
Depreciation expense	<u>(568,893)</u>	(254,183)

Accrued interest expense that does not require current financial resources.	2,740
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues.	(371)
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Internal service funds are used by management to fund and maintain the District's health insurance provided to user departments. The net loss of the internal service funds is reported with governmental activities.	(4,614)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	37,053
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The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities.	(3,008)
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Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in the long-term compensated absences for the year was:	(3,415)
--	---------

The repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. The principal paid on long-term debt during the current year was as follows:

Bonds payable	712,514	
Lease obligations payable	<u>9,350</u>	<u>721,864</u>

Change in net assets of governmental activities (page 15)	<u>\$ 760,408</u>
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MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	<u>Business Type Activity School Nutrition Fund</u>	<u>Governmental Activities Internal Service</u>
ASSETS		
Current Assets:		
Cash and Pooled Investments	\$ 80,551	\$ 11,179
Inventories	16,510	-
Receivables:		
Accounts	4,307	-
Due from Other Governments	140	-
Total Current Assets	<u>101,508</u>	<u>11,179</u>
Noncurrent Assets:		
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>52,689</u>	<u>-</u>
Total Noncurrent Assets	<u>52,689</u>	<u>-</u>
Total Assets	<u>154,197</u>	<u>11,179</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	338	896
Salaries and Benefits Payable	4,481	-
Unearned Revenue	13,853	-
Total Current Liabilities	<u>18,672</u>	<u>896</u>
Noncurrent Liabilities:		
Accrued Compensated Absences	<u>5,690</u>	<u>-</u>
Total Noncurrent Liabilities	<u>5,690</u>	<u>-</u>
Total Liabilities	<u>24,362</u>	<u>896</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	52,689	-
Unrestricted	77,146	10,283
Total Net Assets	<u>\$ 129,835</u>	<u>\$ 10,283</u>

See Accompanying Notes to Financial Statements

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Business Type Activity School Nutrition Fund</u>	<u>Governmental Activities Internal Service</u>
Operating Revenues:		
Charges for services	\$ 379,738	\$ 6,408
Miscellaneous	3,069	-
Total Operating Revenue	<u>382,807</u>	<u>6,408</u>
Operating Expenditures:		
Non-Instructional Programs:		
Food Service Operations:		
Salaries	218,529	-
Benefits	31,090	-
Purchased Services	10,481	-
Supplies	306,411	-
Depreciation	7,804	-
Loss on Disposal of Capital Assets	197	-
Other Enterprise Operations:		
Benefits	-	6,822
Purchased Services	-	4,200
Total Operating Expenses	<u>574,512</u>	<u>11,022</u>
Operating (Loss)	<u>(191,705)</u>	<u>(4,614)</u>
Non-Operating Revenues :		
Interest Income	2,062	-
State Lunch Reimbursements	6,992	-
National School Lunch Program	143,412	-
Federal Food Commodities Received	37,924	-
Total Non-Operating Revenues	<u>190,390</u>	<u>-</u>
Change in net assets	(1,315)	(4,614)
Net Assets - beginning	<u>131,150</u>	<u>14,897</u>
Net Assets - ending	<u>\$ 129,835</u>	<u>\$ 10,283</u>

See Accompanying Notes to Financial Statements

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Business Type Activity School Nutrition Fund	Governmental Activities Internal Service
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 379,767	\$ -
Cash received from miscellaneous operating activities	3,429	6,408
Cash paid to employees for services	(250,538)	-
Cash paid to suppliers for goods or services	(282,957)	(11,830)
Total cash (used) by operating activities	(150,299)	(5,422)
Cash flows from noncapital financing activities:		
State grants received	6,992	-
Federal grants received	143,412	-
Total cash provided by noncapital financing activities	150,404	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(6,495)	-
Cash flows from investing activities:		
Interest on investments	2,062	-
Net (decrease) in cash and cash equivalents	(4,328)	(5,422)
Cash and cash equivalents - beginning of year	84,879	16,601
Cash and cash equivalents - end of year	80,551	11,179
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating (loss)	(191,705)	(4,614)
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Depreciation expense	7,804	-
Commodities used	37,924	-
Loss on disposal of capital assets	197	-
(Increase) decrease in assets and increase (decrease) in liabilities:		
Accounts Receivable	(1,647)	-
Due from Other Governments	360	-
Inventories	(3,037)	-
Accounts Payable	(952)	(808)
Salaries and Benefits Payable	(1,009)	-
Compensated Absences Payable	90	-
Unearned Revenue	1,676	-
Net cash (used) in operating activities	\$ (150,299)	\$ (5,422)
Non-cash investing, capital and financing activities:		
Federal food commodities received	\$ 37,924	\$ -

See Accompanying Notes to Financial Statements

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AGENCY FUND
JUNE 30, 2008**

	<u>2008</u>
Cash and Temporary Cash Investments	\$ 18,693
Total Assets	<u>18,693</u>
Liabilities:	
Other Payables	<u>18,693</u>
Net Assets	<u>\$ -</u>

See Accompanying Notes to Financial Statements

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The MOC-Floyd Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Maurice, Orange City, Alton, Hospers, Newkirk and Granville, Iowa, and the predominate agricultural territory in Sioux and O'Brien Counties in Iowa. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Government Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, MOC-Floyd Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. MOC-Floyd Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

The Governmental Accounting Standards Board is responsible for establishing U.S. GAAP for state and local government through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The District applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Sioux County Assessor's Conference Board.

B. Basic Financial Statements- Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's general, special revenue, debt service and capital project funds are classified as governmental activities. The District's school nutrition fund is classified as a business-type activity. The District's internal service fund is classified as a governmental-type activity.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first uses restricted resources to finance qualifying activities.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The District does not allocate indirect costs. Certain expenses of the District are accounted for through an internal service fund on a cost-reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

C. Fund Financial Statements

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three types: governmental, proprietary and fiduciary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column in the fund financial statements. GASB No. 34 sets forth minimum criteria for the determination of major funds. The various funds reported in the financial statements are grouped into fund types as follows:

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities, except those accounted for in proprietary funds, are accounted for through governmental funds. The measurement focus is on determination of financial position and changes in financial position, rather than upon net income determination. The following is a description of the governmental funds of the District.

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.

Special Revenue Fund – Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specified purposes. Each of the District's Special Revenue Funds has been established to reflect restricted revenue sources provided to school districts by the Iowa State Statutes.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and the payment of general long-term debt principal and interest.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Projects Fund – Capital Project Funds account for all resources used in the acquisition and construction of capital facilities.

PROPRIETARY FUND TYPES

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

Enterprise Funds – Enterprise Funds are used to account for operations: (a) which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds – Internal Service Funds account for operations that provide services to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

The District's internal service fund is presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial statements of the internal service fund are consolidated into the governmental activities column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

A description of the District's internal service fund is as follows:

Split-Funding Health Insurance – To account for the funding and maintenance of the District's partial self-funded health insurance provided to District employees.

FIDUCIARY FUND TYPE

Fiduciary Funds are used to report assets held in an agency or custodial capacity for others and therefore are not available to support District functions. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements. The following is the District's fiduciary fund:

Agency Fund – The Flex account is the District's cafeteria plan. Employees of the District deposit monies into this fund, which are held by the District until they are disbursed back to the depositor.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District reports the following major governmental fund:

General Fund – See the description on the previous page. The General Fund is always considered to be a major fund.

The District reports the following major enterprise fund:

School Nutrition – Accounts for the food service operations of the District.

D. Basis of Accounting/Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$2,000 for governmental capital assets and \$500 for school nutrition capital assets.

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end, excluding grant receivables.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees can accumulate a limited amount of earned but unused sick pay for subsequent use or for partial payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

F. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures did not exceed the amounts budgeted.

NOTE 2 – CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

NOTE 2 – CASH AND POOLED INVESTMENTS (CONTINUED)

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies, certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments as of June 30, 2008 meeting the definition of GASB Statement 40.

NOTE 3 – INTERFUND TRANSFERS

The detail of short-term interfund transfers for the year ended June 30, 2008 is as follows:

Transfer To	Transfer From	Amount
Debt Service	General	\$ 9,350
Debt Service	Capital Project – LOST	844,993
Debt Service	Special Revenue - Physical Plant and Equipment	61,885
Special Revenue - Physical Plant and Equipment	Capital Project – LOST	39,109
		<u>\$ 955,337</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NOTE 4 – IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP)

The District participates in the Iowa School Cash Anticipation (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semi-annual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semi-annual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08A	6/27/07	6/27/08	\$ -	\$ 3,704	\$ -	\$ -
			<u>\$ -</u>	<u>\$ 3,704</u>	<u>\$ -</u>	<u>\$ -</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2008.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

NOTE 4 – IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP) (CONTINUED)

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.5%	5.448%

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 247,000	\$ -	\$ -	\$ 247,000
Construction in Progress	23,167	3,434	26,601	-
Total capital assets not being depreciated	270,167	3,434	26,601	247,000
Capital assets being depreciated:				
Buildings	16,293,095	31,189	-	16,324,284
Improvements other than buildings	698,263	47,559	-	745,822
Furniture and equipment	2,393,016	259,129	-	2,652,145
Total capital assets being depreciated	19,384,374	337,877	-	19,722,251
Less: Accumulated Depreciation for:				
Buildings	6,010,650	380,208	-	6,390,858
Improvements other than buildings	453,824	41,947	-	495,771
Furniture and equipment	1,598,222	146,738	-	1,744,760
Total Accumulated Depreciation	8,062,696	568,893	-	8,631,589
Total capital assets being depreciated, net	11,321,678	(231,016)	-	11,090,662
Governmental activities capital assets, net	\$ 11,591,845	\$ (227,582)	\$ 26,601	\$ 11,337,662
	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Business-type Activities:				
Furniture and equipment	\$ 89,682	\$ 6,495	\$ 2,360	\$ 93,817
Less: Accumulated Depreciation	35,487	7,804	2,163	41,128
Business-type activities capital assets, net	\$ 54,195	\$ (1,309)	\$ 197	\$ 52,689

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

NOTE 5 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the functions as follows:

Governmental Activities:

Regular Instruction	\$ 384,782
Special Instruction	1,616
Other Instruction	43,648
Instructional Staff Services	14,425
Administration Services	9,915
Operation and Maintenance	55,438
Transportation Services	59,069

Total depreciation expenses – governmental activities \$ 568,893

Business-type activities:

Food Service Operations	<u>\$ 7,804</u>
-------------------------	-----------------

Reconciliation of Invested in Capital Assets:

	Governmental Activities	Business- Type Activities
Land	\$ 247,000	\$ -
Capital Assets (net of accumulated depreciation)	11,090,662	52,689
Bond Issue Costs	13,371	
Less: Bonds Payable	4,459,237	-
Lease Obligation Payable	9,350	-
Invested in Capital Assets, Net of Related Debt	<u>\$ 6,882,446</u>	<u>\$ 52,689</u>

NOTE 6 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligations Bonds	\$ 772,951	\$ -	\$ 183,300	\$ 589,651	\$ 189,771
LOST Revenue Bonds	4,398,800	-	529,214	3,869,586	557,244
Lease Obligations	18,700	-	9,350	9,350	9,350
Early Retirement	115,719	35,944	115,719	35,944	35,944
Compensated Absences	22,005	25,420	22,005	25,420	-
Governmental Activities Long-Term Liabilities	<u>\$ 5,328,175</u>	<u>\$ 61,364</u>	<u>\$ 859,588</u>	<u>\$ 4,529,951</u>	<u>\$ 792,309</u>

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for governmental activities. These bonds are direct obligations and pledge the full faith and credit of the District.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

General obligation bonds as of June 30, 2008 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Governmental Activities – 2006 Capital Loan Notes	3.50%	<u>\$ 589,651</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 189,771	\$ 18,992
2010	196,472	12,292
2011	203,408	5,355
Total	<u>\$ 589,651</u>	<u>\$ 36,639</u>

Revenue Bonds

The District has pledged future local option sales and services tax revenues to repay the LOST revenue bonds issued in fiscal years 2005 and 2006. The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the note is \$4,505,383. For the current year, \$740,611 of principal and interest was paid on the bonds and total local option sales and services tax revenues were \$699,945.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

1. The proceeds from the issuance of the revenue bonds shall be deposited to the Project Account.
2. All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
3. Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements each month of the fiscal year. The Sinking Account is shown as a restricted asset in the Capital Project LOST fund.
4. Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The District was in compliance with all of the provisions during the year ended June 30, 2008.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

Revenue bonds as of June 30, 2008 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Governmental Activities – LOST Revenue Bonds	5.0%	<u>\$ 3,869,586</u>

Annual debt service requirements to maturity for revenue bonds are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 557,244	\$ 183,367
2010	586,159	154,452
2011	616,574	124,037
2012	648,331	92,280
2013	682,209	58,402
2014-2015	779,069	23,259
Total	<u>\$3,869,586</u>	<u>\$ 635,797</u>

Capital Leases

The District has entered into lease agreements as lessee for financing the acquisition of various copy machines and band instruments. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Furniture and Equipment	\$ 79,432
Less: Accumulated Depreciation	<u>53,330</u>
Total	<u>\$ 26,102</u>

The following is a schedule of future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of June 30, 2008.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 9,350	-	<u>\$ 9,350</u>
Minimum Lease Payments			9,350
Less: Amount Representing Interest			<u>-</u>
Present Value of Minimum Lease Payments			<u>\$ 9,350</u>

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Teachers and administrators who have 10 years of continuous service with the former districts and/or the new District are eligible for Board approved early retirement compensation. Employees making application for early retirement receive as compensation an amount equal to the difference between the applicant's current salary schedule amount and that year's base pay if the application for early retirement is submitted during a period beginning with the fiscal year before the teacher attains age 55 through the fiscal year in which the teacher attains the age 65. After age 65, no early retirement compensation is available. Part-time teachers receive a percentage of the benefit. Early retirement benefits paid during the year ended June 30, 2008, totaled \$115,719. The cost of early retirement payments liquidated within 60 days is recorded as a liability of the Special Revenue, Management Levy Fund, in the fund financial statements. The non-current portion of the early retirement is recorded in the government-wide financial statements.

NOTE 7 – PENSION AND RETIREMENT BENEFITS

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.90%, 3.70% and 3.70% of their annual covered salary and the District is required to contribute 6.05%, 5.75% and 5.75% of annual covered payroll for the years ended June 30, 2008, 2007, and 2006 respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$430,231, \$387,123 and \$360,007 respectively, equal to the required contributions for each year.

NOTE 8 – RISK MANAGEMENT

MOC-Floyd Valley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 – AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$494,092 for the year ended June 30, 2008 and is recorded in the General Fund.

NOTE 10 – DEFICIT FUND BALANCE

As of June 30, 2008, the following funds had a deficit fund balance in the amounts showing:

Special Revenue:	
Management	<u>\$ (12,599)</u>

The deficit will be funded through future property tax revenue.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

NOTE 11 – SPLIT FUNDING HEALTH INSURANCE PLAN

The District's Split Funding Health Insurance Fund was established to account for the partial self-funding of the District's prescription drug benefit plan. The plan is funded by District contributions and is administered through a service agreement with Three Rivers Benefit Corporation. The agreement is subject to automatic renewal provisions. The District assumes liability for co-pay amounts of \$5 to \$20 depending on the coverage selected by the employee.

Monthly payments of service fees and plan contributions to the District's Split Funding Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims are paid from the Split Funding Health Insurance Fund. The District records the plan assets and related liabilities of the Split Funding Health Insurance Fund as an Internal Service Fund.

Claims payable and estimated claims incurred but not reported are recorded as liabilities of the Internal Services Fund.

Claims Payable at June 30, 2007	\$ 1,704
Claims Paid	(7,630)
Claims Incurred	6,822
Claims Payable at June 30, 2008	<u>\$ 896</u>

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN BALANCES,
BUDGET AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Governmental	Proprietary	Total	Final to
	Original	Amended	Funds	Fund	Actual	Actual
			Actual	Actual		Variance
REVENUE:						
Local Sources:						
Local Tax	\$ 4,923,835	\$ 4,923,835	\$ 5,742,777	\$ -	\$ 5,742,777	\$ 818,942
Tuition	354,340	354,340	227,197	-	227,197	(127,143)
Other	1,871,650	1,871,650	595,337	384,869	980,206	(891,444)
State Sources	6,349,246	6,349,246	6,350,048	6,992	6,357,040	7,794
Federal Sources	525,560	525,560	585,683	181,336	767,019	241,459
Total Revenue	14,024,631	14,024,631	13,501,042	573,197	14,074,239	49,608
EXPENDITURES:						
Current:						
Instruction	8,945,185	8,945,185	8,352,826	-	8,352,826	592,359
Support Services	3,719,107	3,719,107	3,225,048	-	3,225,048	494,059
Non-instructional Programs	670,591	670,591	11,799	574,512	586,311	84,280
Other Expenditures	2,300,600	2,300,600	1,647,027	-	1,647,027	653,573
Total Expenditures	15,635,483	15,635,483	13,236,700	574,512	13,811,212	1,824,271
Excess (Deficiency) of Revenues Over Expenditures	(1,610,852)	(1,610,852)	264,342	(1,315)	263,027	1,873,879
Other Financing Sources (Uses):						
Transfers In	1,523,604	1,523,604	955,337	-	955,337	(568,267)
Transfers Out	(1,530,876)	(1,530,876)	(955,337)	-	(955,337)	575,539
Total Other Financing Sources (Uses)	(7,272)	(7,272)	-	-	-	7,272
Net Change in Fund Balances	(1,618,124)	(1,618,124)	264,342	(1,315)	263,027	1,881,151
Fund Balances - Beginning of Year	1,444,167	1,444,167	1,313,017	131,150	1,444,167	-
Fund Balances - End of Year	\$ (173,957)	\$ (173,957)	\$ 1,577,359	\$ 129,835	\$ 1,707,194	\$ 1,881,151

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except the internal service fund and the agency fund. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not at the fund or fund type level. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental fund types with expenses of proprietary fund types on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2008, the District had no budget amendments.

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

Schedule 1

REVENUES:

Local Sources:

Local Tax:

Property Tax	\$ 3,785,434
Mobile Home Tax	2,823
Utility Tax Replacement Excise Tax	64,851
Surtax	606,172
	<u>4,459,280</u>

Other Local Sources:

Interest on Investments	89,920
Tuition from Individuals	39,876
Tuition from Other Districts	187,321
Rent	7,621
Miscellaneous	59,324
	<u>384,062</u>
	<u>4,843,342</u>

State Sources:

State Foundation Aid	4,812,632
Instructional Support State Aid	38,221
Educational Excellence Program:	
Phase I	71,808
Phase II	106,761
Non-Public Transportation Aid	133,787
Non-Public Textbook and Technology Aid	15,491
Teacher Compensation	467,564
Vocational Education Aid	9,144
Revenue in lieu of taxes - military credit	3,040
AEA Flow-Through	494,092
Iowa Early Intervention Block Grant	71,800
Voluntary Preschool Grant	115,193
Other State Aid	10,080
	<u>6,349,613</u>

Federal Sources:

Title I Grants to Local Educational Agencies	105,291
Safe and Drug-Free Schools and Communities-States Grants	2,783
State Grants for Innovative Programs	2,616
Vocational Education - Basic Grants to States	14,528
Carol White PE Grant	219,936
Special Education - Grants to States	89,795
Improving Teacher Quality State Grants	51,301
Grants for Assessments and Related Activities	9,156
Medicaid	84,082
Other	6,195
	<u>585,683</u>

Total Revenue

\$ 11,778,638

Continued

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2008

Schedule 1 (Continued)

EXPENDITURES:

Instruction:

Regular Instruction:

Salaries	\$ 4,019,640
Benefits	1,078,484
Services	347,417
Supplies	155,998
Property	163,752
Other	2,200
	<u>5,767,491</u>

Special Education Instruction:

Salaries	882,601
Benefits	197,587
Services	271,698
Supplies	7,939
Property	44,059
	<u>1,403,884</u>

Vocational Instruction:

Salaries	305,244
Benefits	77,884
Services	2,795
Supplies	19,314
Property	8,321
	<u>413,558</u>

Co-curricular Instruction:

Salaries	233,554
Benefits	40,013
Services	7,517
	<u>281,084</u>

Nonpublic Instruction:

Supplies	15,491
	<u>15,491</u>

Total Instruction

\$ 7,881,508

Continued

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2008

Schedule 1 (Continued)

Support Services:

Student Services:

Attendance and Social Work Services:

Salaries	\$ 8,496
Benefits	1,984
Services	1,109
Supplies	1,057
	<u>12,646</u>

Guidance Services:

Salaries	214,101
Benefits	45,105
Services	5,692
Supplies	1,568
	<u>266,466</u>

Health Services:

Salaries	49,282
Benefits	17,686
Services	2,728
Supplies	959
	<u>70,655</u>

Total Student Services

349,767

Support Services:

Instructional Staff Services:

Improvement of Instruction Services:

Services	24,989
Supplies	752
Other	1,182
	<u>26,923</u>

Educational Media Services:

Salaries	162,526
Benefits	32,072
Services	1,835
Supplies	28,276
Property	2,648
Other	19
	<u>\$ 227,376</u>

Continued

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2008**

Schedule 1 (Continued)

Support Services (Continued):

Instructional Staff Services (Continued):

Other Instructional Staff Support Services:

Salaries	\$ 79,266
Benefits	17,800
Services	35,850
Supplies	35,441
Property	14,358
	<u>182,715</u>

Total Instructional Staff Services

437,014

Support Services:

Administration Services:

Executive Administration:

Salaries	151,882
Benefits	43,385
Services	5,330
Supplies	3,973
Other	89
	<u>204,659</u>

School Administration:

Salaries	465,856
Benefits	155,835
Services	11,625
Supplies	2,271
	<u>635,587</u>

Business Administration:

Salaries	50,400
Benefits	12,926
Services	3,034
Supplies	79

Iowa School Cash Anticipation Program:

Interest	17,472
Other	(2,120)
	<u>\$ 81,791</u>

Continued

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2008**

Schedule 1 (Continued)

Support Services (Continued):

Administration Services (Continued):

Board of Education:

Services	\$ 33,496
Supplies	7,949
Other	4,421
	<u>45,866</u>

Total Administration Services:

967,903

Support Services:

Plant Operation and Maintenance:

Salaries	305,827
Benefits	70,815
Services	112,554
Supplies	356,900
Property	11,271
	<u>857,367</u>

Support Services:

Student Transportation:

Salaries	191,087
Benefits	32,410
Services	163,667
Supplies	91,572
Other	250
	<u>478,986</u>

Total Support Services

3,091,037

Non-instructional Programs:

Community Services:

Salaries	85
Benefits	12
Services	2,229
Supplies	457
	<u>\$ 2,783</u>

Continued

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2008

Schedule 1 (Continued)

Other Expenditures:	
AEA Flow-Through	\$ 494,092
Total Expenditures	<u>11,469,420</u>
Excess of Revenues Over Expenditures	<u>309,218</u>
Other Financing Sources (Uses):	
Transfers From Other Funds	<u>(9,350)</u>
Total Other Financing Sources (Uses)	<u>(9,350)</u>
Net Change in Fund Balance	299,868
Fund Balance - Beginning of Year	<u>770,008</u>
Fund Balance - End of Year	<u><u>\$ 1,069,876</u></u>

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS
JUNE 30, 2008**

Schedule 2

	Special Revenue Funds					Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects LOST	Debt Service	
ASSETS						
Cash and Pooled Investments	\$ 4,215	\$ 117,186	\$ 270,103	\$ 35,048	\$ -	\$ 426,552
Receivables:						
Property Tax	2,435	-	3,482	-	-	5,917
Succeeding Year Property Tax	300,000	-	372,636	-	-	672,636
Accounts	-	27,908	1,339	-	-	29,247
Due from Other Governments	-	-	-	119,689	-	119,689
Restricted Assets						
Cash and Pooled Investments	-	-	-	61,718	-	61,718
Total Assets	306,650	145,094	647,560	216,455	-	1,315,759
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	-	31,572	56,873	27,946	-	116,391
Early Retirement Payable	19,249	-	-	-	-	19,249
Deferred Revenue - Succeeding Year						
Property Taxes	300,000	-	372,636	-	-	672,636
Total Liabilities	319,249	31,572	429,509	27,946	-	808,276
Fund Balances:						
Reserved for:						
Unreserved for:						
Special Revenue Fund	(12,599)	113,522	218,051	-	-	318,974
Capital Project Fund	-	-	-	188,509	-	188,509
Total Fund Balances (Deficit)	(12,599)	113,522	218,051	188,509	-	507,483
Total Liabilities and Equity	\$ 306,650	\$ 145,094	\$ 647,560	\$ 216,455	\$ -	\$ 1,315,759

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

Schedule 3

	Special Revenue Funds					
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Project LOST	Debt Service	Total
REVENUE:						
Local Sources:						
Local Tax	\$ 225,217	\$ -	\$358,335	\$ 699,945	\$ -	\$1,283,497
Other	15,361	404,287	10,297	8,527	-	438,472
State Sources	178	-	257	-	-	435
Total Revenue	240,756	404,287	368,889	708,472	-	1,722,404
EXPENDITURES:						
Current:						
Instruction:						
Regular Instruction	80,727	-	-	-	-	80,727
Other Instruction	-	390,591	-	-	-	390,591
Support Services:						
Student Services	15,814	-	-	-	-	15,814
Instructional Staff Services	967	-	-	-	-	967
Administration Services	27,097	-	2,004	-	-	29,101
Operation and Maintenance	53,005	610	15,805	-	-	69,420
Transportation Services	18,709	-	-	-	-	18,709
Non-instructional Programs	9,016	-	-	-	-	9,016
Other Expenditures:						
Facilities Acquisition and Construction	-	-	186,257	7,953	-	194,210
Long-term Debt:						
Principal	-	-	-	-	721,864	721,864
Interest and Fiscal Charges	-	-	-	-	236,861	236,861
Total Expenditures	205,335	391,201	204,066	7,953	958,725	1,767,280
Excess (Deficiency) of Revenues Over Expenditures	35,421	13,086	164,823	700,519	(958,725)	(44,876)
Other Financing Sources (Uses):						
Transfers In	-	-	39,109	-	916,228	955,337
Transfers Out	-	-	(61,885)	(884,102)	-	(945,987)
Total Other Financing Sources (Uses)	-	-	(22,776)	(884,102)	916,228	9,350
Net Change in Fund Balances	35,421	13,086	142,047	(183,583)	(42,497)	(35,526)
Fund Balances (Deficits) - Beginning of Year	(48,020)	100,436	76,004	372,092	42,497	543,009
Fund Balances (Deficits) - End of Year	\$ (12,599)	\$113,522	\$218,051	\$ 188,509	\$ -	\$ 507,483

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008

					Schedule 4	
	Balance				Balance	
	June 30,	Revenues	Expenditures	Intrafund	June 30,	
	2007			Transfers	2008	
Annual	\$ 8,419	\$ 17,586	\$ 17,604	\$ -	\$ 8,401	
Plays/Musical	4,664	2,026	991	-	5,699	
Iowa High School Speech	2,121	725	5,682	2,836	-	
Iowa High School Music	1,475	18	5,628	4,135	-	
Vocal Robe Rent	9,695	500	300	-	9,895	
Band Instrument Rent	-	5,615	7,698	2,083	-	
High School Band Uniform Rent	574	5,813	6,619	232	-	
High School Band	433	66	472	-	27	
Music Gate Receipts	1,514	4,089	3,415	(1,700)	488	
Athletics	2,759	139,556	141,985	120	450	
Joint Baseball/Softball	-	9,500	3,826	(120)	5,554	
Joint Baseball/Softball Concessions	2,750	15,421	10,382	-	7,789	
Boys Basketball	47	1,360	1,295	-	112	
Dutch Football	4,005	10,491	10,432	-	4,064	
Wrestling Concessions	1,227	3,882	3,398	-	1,711	
Youth Wrestling	-	420	75	-	345	
Dutch Volleyball	3,876	9,504	8,774	-	4,606	
Industrial Tech./Skills USA	2,905	10,612	9,549	159	4,127	
Dance Team	809	3,096	2,302	-	1,603	
Pep Club/Cheerleaders	1,068	3,774	3,851	-	991	
Student Council	7,252	6,806	7,796	-	6,262	
FFA Club	5,067	26,478	30,111	-	1,434	
Class of 2014	-	500	-	-	500	
Class of 2013	500	500	-	-	1,000	
Class of 2012	1,000	500	-	-	1,500	
Class of 2011	1,500	-	-	-	1,500	
Class of 2010	1,523	-	100	-	1,423	
Class of 2009	1,400	13,516	11,391	-	3,525	
Class of 2008	2,353	26	1,500	-	879	
Class of 2007	1,801	-	-	(1,801)	-	
Class of 2006	538	-	-	(538)	-	
Get a Grip	293	-	41	-	252	
Middle/High School Shop	111	333	304	(140)	-	
Awards	1,608	1,464	699	-	2,373	
High School Faculty Pop				-	-	
Machine	781	1,073	1,819	-	35	
Concessions	6,033	15,707	14,119	-	7,621	
Juice Machine	1,219	1,683	853	-	2,049	
National Honor Society	1,480	839	656	-	1,663	
Middle School Miscellaneous	1,562	1,608	1,478	-	1,692	
Middle School Student Council	\$ 413	\$ 3,567	\$ 3,470	\$ -	\$ 510	

(Continued)

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008

					Schedule 4
	Balance June 30, 2007	Revenues	Expenditures	Intrafund Transfers	Balance June 30, 2008
Middle School Pop Machine	\$ 460	\$ 930	\$ 668	\$ -	\$ 722
Middle School Magazines	1,875	50,797	46,295	-	6,377
Middle School Book Club	146	-	-	-	146
Middle School Pictures	1,467	984	936	-	1,515
Orange City Elementary Pop Machine and Miscellaneous	569	1,236	962	-	843
Orange City Outdoor Education	3,541	11,859	11,562	-	3,838
Orange City Elementary Pictures	2,814	6,552	5,256	-	4,110
Orange City Elementary Book Club	311	529	749	-	91
Orange City Elementary Care Fund	715	-	150	-	565
Hospers Elementary Pop Machine and Miscellaneous	711	3,983	4,110	-	584
Hospers Elementary Pictures	748	900	482	-	1,166
Reading Counts	2,304	2,402	1,221	-	3,485
Revolving/Interest	\$ -	\$ 5,461	\$ 195	\$ (5,266)	\$ -
Totals	\$ 100,436	\$ 404,287	\$ 391,201	\$ -	\$ 113,522

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN NET ASSETS AND LIABILITIES -
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2008**

				Schedule 5
	Balance			Balance
	July 1, 2007	Additions	Deductions	June 30, 2008
<u>FLEX</u>				
<u>Assets</u>				
Cash and Pooled Investments	\$ 15,228	\$ 77,552	\$ 74,087	\$ 18,693
Total Assets	15,228	77,552	74,087	18,693
<u>Liabilities</u>				
Other Payables	15,228	77,552	74,087	18,693
Total Liabilities	\$ 15,228	\$ 77,552	\$ 74,087	\$ 18,693

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE YEARS ENDED JUNE 30, 2008, 2007, 2006, 2005

Schedule 6

	Modified Accrual Basis of Accounting			
	2008	2007	2006	2005
Revenues:				
Local Sources:				
Local Tax	\$ 5,742,777	\$ 5,717,087	\$ 5,422,730	\$ 5,617,211
Tuition	227,197	245,447	238,086	203,510
Other	595,337	653,974	796,282	558,505
State Sources	6,350,048	5,662,514	5,230,501	5,180,289
Federal Sources	585,683	356,122	408,004	389,042
Total	<u>13,501,042</u>	<u>12,635,144</u>	<u>12,095,603</u>	<u>11,948,557</u>
Expenditures:				
Instruction:				
Regular	5,848,218	5,245,267	4,745,983	4,548,117
Special	1,403,884	1,274,833	1,050,820	1,109,891
Other	1,100,724	1,146,584	1,178,431	1,102,055
Support Services:				
Student	365,581	367,276	327,830	298,770
Instructional Staff	437,981	474,641	491,826	445,567
Administration	997,004	988,093	966,342	894,523
Operation and maintenance of plant	926,787	961,151	851,118	696,566
Transportation	497,695	476,459	488,615	435,149
Non-instructional programs	11,799	12,784	12,896	13,321
Other Expenditures:				
Facilities Acquisition	194,210	612,353	3,568,453	3,016,635
Long-term debt:				
Principal	721,864	625,209	600,000	570,000
Interest and other charges	236,861	256,253	279,828	74,396
AEA Flowthrough	494,092	460,286	436,066	432,179
Total	<u>\$ 13,236,700</u>	<u>\$ 12,901,189</u>	<u>\$ 14,998,208</u>	<u>\$ 13,637,169</u>

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

			Schedule 7
Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Donation (non-cash)	10.550	FY08	\$ 37,924
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY08	15,342
National School Lunch Program	10.555	FY08	128,069
			<u>143,411 *</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY08	105,291
Special Education-Grants to States	84.027	FY08	2,325
Vocational Education - Basic Grants to States	84.048	FY08	14,528
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY08	2,783
Fund for the Improvement of Education	84.215	FY08	219,935 *
State Grants for Innovative Programs	84.298	FY08	2,616
English Language Acquisition	84.365	FY08	3,870
Improving Teacher Quality State Grants	84.367	FY08	51,301
Grants for State Assessments & Related Activities	84.369	FY08	9,156
Western Hills Area Education Agency			
Special Education - Grants to States	84.027	FY08	<u>89,795</u>
Total			<u>\$ 682,935</u>

* Total expenditures from these programs exceed 50% of the total Federal Awards and are considered major programs

BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the MOC-Floyd Valley Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Schedule 8

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance, which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, which was considered to be a material weakness.
- (e) A qualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.215 – Fund for the Improvement of Education
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (I) MOC-Floyd Valley Community School District did not qualify as a low-risk auditee.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Schedule 8 (Continued)

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

There were no prior year audit findings.

SIGNIFICANT DEFICIENCIES:

II-A-08 Financial Accounting – Segregation of Duties

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties, which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetuate and conceal errors or fraud. In performing our audit, we noted that one person has primary responsibility for many accounting and financial duties of the District.

Recommendations – The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions. In addition, the District should periodically review the operating procedures and make changes as necessary to obtain the maximum internal control under the circumstances.

Response – District administration understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. We will continue to review procedures of the District and make changes as deemed necessary and practical.

Conclusion – Response accepted.

II-B-08 Financial Reporting

Comment – During the audit, we identified material amounts of capital asset additions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include those amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all capital asset additions are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any capital asset transactions.

Conclusion – Response accepted.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Schedule 8 (Continued)

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

III-A-08 Fund for Improvement of Education – CFDA No. 84.215

Condition – A review of grant expenditures found that an expenditure for grant writing fees was paid for with federal grant funds. Based on review of grant agreements this appears to not be an allowable expense under the grant.

Questioned Cost - \$15,000

Recommendation – The District should implement procedures to ensure that grant expenditures are allowed or approved by the grantor before the invoice is paid.

Response – District administration understands the nature of the non-compliance and the necessity for the Board and Superintendent to provide oversight and review functions as they relate to grants.

Conclusion – Response Accepted.

SIGNIFICANT DEFICIENCY:

III-B-08 Financial Accounting – Segregation of Duties

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties, which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetuate and conceal errors or fraud. In performing our audit, we noted that one person has primary responsibility for many accounting and financial duties of the District.

Recommendations – The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions. In addition, the District should periodically review the operating procedures and make changes as necessary to obtain the maximum internal control under the circumstances.

Response – District administration understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. We will continue to review procedures of the District and make changes as deemed necessary and practical.

Conclusion – Response accepted.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Schedule 8 (Continued)

Part IV: Other Findings Related to Statutory Reporting:

IV-A-08 Certified Budget – Disbursements for the year ended June 30, 2008 did not exceed amounts budgeted.

IV-B-08 Questionable Disbursements – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-08 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-08 Business Transactions – Business transactions between the District and District Officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Gerald Van Roekel, Board Member Part-owner of Van Engelenhoven Agency	Insurance	\$130,264

This transaction may represent a conflict of interest and the District should contact legal council for determination.

IV-E-08 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-08 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-08 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Schedule 8 (Continued)

IV-I-08	<u>Certified Annual Report</u> – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
IV-J-08	<u>Deficit Balances</u> – The management fund had a deficit fund balance at June 30, 2008. <u>Recommendation</u> – The District should continue to investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition. <u>Response</u> – The District is continuing to investigate alternatives to eliminate the deficit in the management fund at the end of the fiscal year. <u>Conclusion</u> – Response accepted.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the
MOC-Floyd Valley Community School District

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT as of and for the year ended June 30, 2008, which collectively comprise the MOC-Floyd Valley Community School District's basic financial statements, and have issued our report thereon dated December 29, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether the MOC-Floyd Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the MOC-Floyd Valley Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the MOC-Floyd Valley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the MOC-Floyd Valley Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we

identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the MOC-Floyd Valley Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the MOC-Floyd Valley Community School District's financial statements that is more than inconsequential will not be prevented or detected by the MOC-Floyd Valley Community School District's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs as items II-A-08 and II-B-08 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the MOC-Floyd Valley Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are material weaknesses.

The MOC-Floyd Valley Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit the MOC-Floyd Valley Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of MOC-Floyd Valley Community School District and other parties to whom the MOC-Floyd Valley Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of MOC-Floyd Valley Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
December 29, 2008

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education of the
MOC-Floyd Valley Community School District:

Compliance:

We have audited the compliance of MOC-Floyd Valley Community School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. MOC-Floyd Valley Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of MOC-Floyd Valley Community School District's management. Our responsibility is to express an opinion on MOC-Floyd Valley Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MOC-Floyd Valley Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on MOC-Floyd Valley Community School District's compliance with those requirements.

As described in the accompanying schedule of findings and questioned costs as item III-A-08, MOC-Floyd Valley Community School District did not comply with requirements regarding allowable costs that are applicable to a major federal program of the District. Compliance with such requirements is necessary, in our opinion, for the MOC-Floyd Valley Community School District to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, MOC-Floyd Valley Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance:

The management of the MOC-Floyd Valley Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered MOC-Floyd Valley Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of

internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the MOC-Floyd Valley Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency and a material weakness.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item III-B-08 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider item III-B-08 to be a material weakness.

MOC-Floyd Valley Community School District's response to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit MOC-Floyd Valley Community School District's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of MOC-Floyd Valley Community School District and other parties to whom MOC-Floyd Valley Community School District may report, including federal awarding agencies and pass-through entities. This report is intended to be and should not be used by anyone other than these specified parties.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
December 29, 2008



M.O.C.-Floyd Valley Community School

Gary Richardson, Superintendent of Schools

1301 8th Street SE, P.O. Box 257

Orange City, Iowa 51041

Phone (712) 737-4873

Fax (712) 737-8789

Schedule of Findings and Questioned Costs Corrective Action Plan June 30, 2008

Department of Education:

MOC-Floyd Valley Community School District, respectfully submits the following corrective action plan for the year ended June 30, 2008.

The audit was performed by Williams & Company, P.C., P.O. Box 1010, Le Mars, Iowa, for the fiscal year ended June 30, 2008.

The findings from the June 30, 2008 Schedule of Findings and Questioned Costs are discussed below. The finding is numbered consistently with the number assigned in the schedule.

III-A-08 – Fund for the Improvement of Education – CFDA #84.215

Recommendation – The District should implement procedures to ensure that grant expenditures are allowed or approved by grantor before the invoice is paid.

Response – District administration understands the nature of the non-compliance. This was a new grant received by the District and we were unaware that expenditure was not allowable under grant provisions. We understand that further and extensive oversight needs to be provided for all grant activity to ensure compliance with grants.

SIGNIFICANT DEFICIENCY:

III-B-08 – Financial Accounting – Segregation of Duties

Recommendation – With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

If the Department of Education has questions regarding this plan, please call Gary Richardson at 712-737-4873.

Sincerely yours,

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT

Mr. Gary Richardson, Superintendent

High School
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Russ Adams, Principal

Middle School
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John VandeWeerd, Principal

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Mike Landhuis, Principal

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Hospers, Iowa 51238
(712) 752-8480
Marcia De Graaf, Principal

The MOC-Floyd Valley Community School District is a learning environment which provides students with a foundation for their highest level of lifetime achievement and citizenship.